

Message Text

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15

ACTION OPIC-06

INFO OCT-01 EA-09 ISO-00 EB-07 AID-05 OMB-01 TRSE-00

COME-00 L-03 CIAE-00 INR-07 NSAE-00 /039 W

----- 095862

R 190751Z DEC 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1830

UNCLAS JAKARTA 15540

E.O. 11652: NA

TAGS: EINV, ID

SUBJ: OPIC INSURANCE: KAISER CEMENT EXPANSION

1. NICK P. PETROFF, PRESIDENT OF P.T. SEMEN CIBINONG, CALLED AT EMBASSY DECEMBER 19 TO DELIVER LENGTHY TELEX FROM HIS HEAD OFFICE ADDRESSED TO AMBASSADOR NEWSOM. TELEX SET FORTH BACKGROUND OF KAISER CEMENT'S PLANS FOR \$8.175 MILLION INVESTMENT IN P.T. SEMEN CIBINONG EXPANSION, AND STRESSED THAT THIS PLANNED INVESTMENT CONTINGENT UPON EXPECTATION THAT OPIC INSURANCE WOULD BE AVAILABLE ON SIMILAR TERMS AS FOR EXISTING INVESTMENT.

2. HOWEVER, TELEX CONTINUES, SERIOUS PROBLEM HAS ARISEN BECAUSE QTE. OPIC HAS SUDDENLY NOTIFIED US THAT WE WILL NOT BE ABLE TO OBTAIN INVESTMENT INSURANCE UNLESS WE AGREE TO JOIN A RISK-SHARING POOL UNDER WHICH WE WOULD BECOME CO-INSURER OF OPIC'S RISKS IN A GROUP OF HIGH-RISK COUNTRIES. THIS NOVEL PROGRAM, WHICH HAS NOT YET BEEN FULLY DEFINED EVEN WITHIN OPIC, WAS PRESENTED TO US FOR THE FIRST TIME ON DECEMBER 8. WE HAVE EXPLAINED TO MARSHALL MAYS, PRESIDENT OF OPIC, THAT PARTICIPATION IN SUCH A PROGRAM INVOLVING UNDEFINED RISKS IN SEVERAL COUNTRIES NOT CONFINED JUST TO INDONESIA WOULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL STATEMENTS AND BORROWING CAPACITY AND WOULD NOT BE ACCEPTED BY OUR BOARD OF DIRECTORS. WE HAVE ALSO ADVISED MR. MAYS THAT, IF WE ARE FORCED TO CANCEL THE EXPANSION AT THIS LATE DATE BECAUSE OF THIS SUDDEN CHANGE IN OPIC POLICY,

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THE POLITICAL AND ECONOMIC CONSEQUENCES COULD BE VERY SERIOUS

INDEED, ESPECIALLY CONSIDERING THAT THE GOI HAS CONSIDERED
THIS A MODEL PROJECT AND HAS BEEN INCREASINGLY INSISTANT THAT
EXPANSION OF CAPACITY BE ACCOMPLISHED AS SOON AS POSSIBLE.
UNQTE.

3. WOULD APPRECIATE RECEIVING RUNDOWN FROM OPIC ON
APPARENT POLICY CHANGE WHICH COULD HAVE IMPORTANT IMPLICATIONS
FOR FUTURE U.S. INVESTMENT IN INDONESIA. WOULD
ESPECIALLY APPRECIATE INFORMATION ON WHETHER NEW POLICY
APPLIES ONLY TO NEW INSURANCE CONTRACTS OR WHETHER POSSIBILITY
EXISTS THAT IT COULD BE MADE RETROACTIVE SO AS TO
MODIFY EXISTING CONTRACTS. PETROFF EXPRESSED PARTICULAR
CONCERN ABOUT LETTER POSSIBILITY AND SUGGESTED THAT IF THIS
WERE THE CASE, KAISER MIGHT FEEL COMPELLED TO WITHDRAW
ITS ENTIRE INVESTMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROGRAMS (PROJECTS), CONSTRUCTION MATERIALS, INVESTMENTS, CREDIT INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART15540
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750441-0682
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751225/aaaaavgp.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 24 NOV 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 NOV 2003 by ReddocGW>; APPROVED <12 JAN 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPIC INSURANCE: KAISER CEMENT EXPANSION
TAGS: EINV, ID, OPIC, P T SEMEN CIBINONG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006